Fiscal Year 2010 Collections

- In June the Legislature approved a $27.4 B budget which reflected the tough choices that had to be made to ensure that core services and programs could continue in this extraordinarily difficult fiscal climate. The budget also sought to help municipalities by giving them the tools to enhance local revenue sources to support their own struggling budgets.

- This budget relied on a tax revenue projection of $18.879 B, which includes three new taxes worth an additional $890 M in tax revenue. This includes a sales tax increase from 5% to 6.25%, the removal of the sales tax exemption on alcohol and a tax on satellite TV subscriptions.

JULY AND AUGUST TAX COLLECTIONS:

Between July and August, tax collections were $34 M above benchmark.

FY10 OCTOBER REVENUE REVISION:

- On October 15th, after September revenue collections came in $243 M below benchmark, A&F revised the FY10 consensus revenue figure downward by $600 M to $18.279 B.

- This was mainly due to the lack of growth in employment, wages, taxable sales and corporate profits.

- Until hiring picks up, tax revenue will continue to fall or stabilize at or near current levels.

- This significant reduction in tax revenue triggered the 9C spending reduction process, which A&F prepared, filed and instituted.

OCTOBER 2009 9C REDUCTIONS:

- To solve for the $600 M revenue problem, the Governor announced 9C reductions and other measures to solve the shortfall including:
    - $207 M in Executive branch reductions
    - $35 M in Executive Branch FTE Reductions
    - $75 M in Non-Executive Branch Reductions ($6.5 M in voluntary reductions so far.)
    - $24 M from debt service reduction
    - $126 M from various revenue sources including tax settlements, a tax amnesty program, surplus land sales, revised SBA allotment, new/increased revenue options and trust fund use.
    - $62 M in ARRA funds used to backfill Higher Ed cuts
    - $60 M in surplus FY09 funds use ($36 M adopted by Legislature)

OCTOBER AND NOVEMBER TAX COLLECTIONS:

October and November tax collections combined were $34 M above the revised downward benchmark.

DECEMBER TAX COLLECTIONS:

- $194 M above benchmark
- $120 M of that is corporate settlement payments (one-time)
- All categories were over benchmark, mostly due to better than projected income tax and estimated payments and estate tax collections.

- January will be critical because bonuses are counted and it is a big month for income estimated payments and will also reflect December's sales tax collections (holiday shopping).

SPENDING (DEFICIT) EXPOSURES FOR FY10:

- MassHealth (net) ~ $125 M
- Snow & Ice~ $50 M
- CPCS~ $33 M
- GIC ~ $20 M
- Other caseload accounts ~ $20 M
- DOC~ $8 M
- Judgments & Settlements ~ $5 M
- Pending Collective Bargaining ~ $ 5M
- **Estimated Total ~ $266 M**

FY11 CHALLENGES:

The challenges we will face in FY11 are numerous.

1. Since many programs, especially health care, have large annual growth, we will need increased revenue in FY11. Where is it going to come from? With sales tax, income tax and capital gains declining and with unemployment stabilizing at higher than normal levels, it is difficult to see how we can expect to see any additional revenue from existing tax streams.

2. How are we going to replace the one-time revenue sources we used in FY10? Most notably, how are we going to cope with the loss of at least $900 M in federal stimulus money?

3. How can we insure that MA keeps a balance in its safety net, the stabilization fund? In FY09 we used $1.389 B from the fund to get us through the year. The current balance is about $541 M.

4. How can we insure that the programs and services that the residents of MA rely upon continue to function and survive the fiscal crisis?

DETAIL:

- **July Collections -** July tax collections were $24 M below the monthly benchmark with all categories of collections performing below expectations.
- **August Collections -** August tax collections were $58 M above the monthly benchmark, but were still $12 M below August 2008 collections; DOR attributed part of this above benchmark performance to the one-time growth in motor vehicle sales tax collections due to Cash for Clunkers.
- **September Collections -** September tax collections were $243 M below the monthly benchmark and were down $333 M from collections last September. These low collections mean that for the first quarter of FY2010, the Commonwealth is $212 M below the year to date benchmark for overall tax collections.
- **October Collections -** October tax collections were $22 M above the revised benchmark and up $72 M from last October due mostly to timing issues.
- **November Collections -** November tax collections were $12 M above the revised benchmark and up $33 M from last November.
- **December Collections –** December tax collections were $194 M above the revised benchmark and up $22 M from last December.
- **FY10 Year to Date –** Collections through December totaled $8.711 B, up $230 M from the revised FY10 revenue estimate and down $348 M from the same period last year.